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SENATE ENERGY, UTILITIES AND COMMUNICATIONS COMMITTEE
DEBRA BOWEN, CHAIRWOMAN

SB 1962 - Costa		Hearing
Date: April 25, 2000	S	
As Introduced: February 25, 2000	FISCAL	B

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DESCRIPTION

Current law requires oil refiners to report specified information regarding their refinery inputs and outputs to the California Energy Commission (CEC).

Current law requires major marketers, as defined, to report on their petroleum product receipts, inventories, and distributions to the CEC.

Current law requires the CEC to analyze that information with regard to the nature of any fuel shortages and price changes.

This bill requires refiners and major marketers to report more specific data to the CEC, including imports and exports of finished petroleum products, the destination of their exports, and sales of unbranded gasoline.

BACKGROUND

The sponsor of this bill, the California Independent Oil Marketers Association (CIOMA), believes that while the CEC tracks branded gasoline prices and supplies, it doesn't have the authority to track supplies and distribution of unbranded gasoline. The CEC also has no authority to track imports of gasoline and diesel fuel, nor can it require

refiners to disclose how much gasoline, diesel fuel, or blend stocks they are shipping out of state.

Current law charges the CEC with preparing a plan specifying actions to be taken in the event of an impending serious shortage of energy and with developing contingency plans to deal with possible shortages of fuel supplies to protect public health, safety, and welfare. In an emergency the CEC, pursuant to an executive order, can order that fuel be made available to relieve a shortage. For example, if there were a shortage of diesel fuel in the Fresno area and such shortage meant that farmers could not operate the necessary equipment to get their product to market, the CEC could order one or more wholesalers of diesel fuel to make supplies available in Fresno. High fuel prices, while being annoying and disruptive, don't qualify as an emergency under the law.

KEY QUESTIONS

1. Should oil refiners and major marketers be required to report more specific data to the CEC in the manner

proposed by this bill?

2. Do the amendments to the intent section of the Warren-Alquist State Energy Resources and Development Act proposed by this bill conflict with the intent section as a whole?

COMMENTS

- 1) A More Complete Picture . The author believes giving the CEC the authority to track unbranded gasoline supplies, imports, and exports is critical to helping the CEC develop a full, complete, and effective contingency plan to ensure sufficient supplies of gasoline and diesel are available in an emergency.
- 2) Price Spikes . California's experience over the last several years shows that any disruption in refinery operations has a tendency to cause gasoline prices to spike. While some argue that the spikes are driven by the inability of refiners to build new production facilities and the inability to sell "non-California" gas in the state, the reality is California motorists are competing for gasoline with motorists in Nevada and Arizona because gasoline produced by California refineries is regularly sent to those states. During periods when the supply is adequate, that's a non-issue, but when shortages develop, those exports probably exacerbate the shortage and help drive up prices. This bill permits the CEC to track how much California-produced gasoline is exported to other states in an effort to give it a more complete picture of how the state's gasoline market functions in the "real world."
- 3) Overdependence vs. Adequate Supply . The bill adds language to the intent section of the Warren-Alquist State Energy Resources and Development Act stating it's the policy of the state to ensure that emergency service agencies, state and local government agencies, agricultural consumers, and business consumers of

petroleum products have adequate and economic supplies of fuel.

Left out of this intent language are individual consumers, but even if individual consumers were to be added, the author and Committee may wish to consider whether this portion of the bill actually conflicts with existing state law as it pertains to the state's energy policy.

That's because Public Resources Code 25000.5(a) states that an overdependence on petroleum-based fuels as an energy resource is a threat to the energy security of the state and that petroleum use as an energy resource contributes substantially to a number of public health problems.

Public Resources Code 25000.5(b), which this bill proposes to amend, states it's the policy of the state to establish a state transportation energy policy that results in the least environmental and economic cost to the state. The author and Committee may wish to consider whether adding language to this section, as this bill proposes to do, stating it's the policy of the state to ensure an adequate and economic supply of fuel runs counter to the intent of PRC 25000.5 as a whole.

POSITIONS

SPONSOR:

_____ California Independent Oil Marketers Association

SUPPORT:

_____ None on file

OPPOSE:

_____ None on file

Randy Chinn
SB 1962 Analysis
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